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PRESS RELEASE

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California Operations Manager for MVP Micro, Inc. Pleads Guilty in Connection with Sales of Counterfeit High Tech Parts to the U.S. Military

--counterfeit integrated circuits sold to the United States Navy--

Washington, D.C. - Neil Felahy, 32, of Newport Coast, California, pleaded guilty today to one count of Conspiracy to Traffic in Counterfeit Goods and to Defraud the United States, in violation of Title 18, United States Code, Section 371 and one count of Trafficking in Counterfeit Goods, in violation of Title 18, United States Code, Section 2320, announced Acting U.S. Attorney Channing D. Phillips, James A. Dinkins, Special Agent in Charge of ICE's Office of Investigations in Washington, D.C., Special Agent in Charge Sandy Macisaac, Naval Criminal Investigative Service (NCIS) in Washington, D.C., and Special Agent in Charge Andre Martin of the Internal Revenue Service (IRS), Criminal Investigation, Washington, D.C. Field Office.

The guilty plea was entered before U.S. Magistrate Judge Alan Kay. Felahy agreed, as part of a plea agreement with the United States, to cooperate with the government. At sentencing, Felahy faces up to five years incarceration and a fine of \$250,000 for the crime of Conspiracy, and up to ten years incarceration and a fine of \$2,000,000, for the crime of Trafficking in Counterfeit Goods. Under the U.S. Sentencing Guidelines, Felahy faces a sentence range of 30-51 months, depending on factual issues to be decided later by the sentencing judge. Felahy's sentencing will likely occur in 2010, before District Court Judge Emmet G. Sullivan.

The guilty plea arises in connection with an eleven-count Indictment, unsealed on October 8, 2009, which charges Mustafa Abdul Aljaff, 29, his sister, Marwah Felahy (formerly Aljaff), 32, and her husband, Neil Felahy, 32, all of Newport Coast, California, with Conspiracy, Trafficking in Counterfeit Goods or Services, and Mail Fraud, in connection with their sale of counterfeit integrated circuits to the United States Navy.

As described in the Indictment and other pleadings filed with the court, integrated circuits are a type of semiconductor that function as amplifiers, oscillators, timers, counters, computer memory, and microprocessors. Integrated circuits are used in a wide array of modern electronic products including consumer electronics and transportation, medical, aircraft, spacecraft, and military applications. The use of counterfeit integrated circuits can result in product malfunction or failure, and can also cause serious bodily injury from electrocution and, in some circumstances, death. Markings on integrated circuits indicate a part is “Commercial-grade,” “industrial-grade,” or “military grade.” Military grade markings signify that the part has been specially manufactured, among other things, to withstand extreme temperature ranges and high rates of vibration. Legitimate manufacturers subject such parts to specialized testing not used in the production of differently graded parts. Military grade integrated circuits are sold to the U.S. Military at a higher price than commercial or industrial grade parts because of the special manufacture and testing required.

According to the Indictment, the defendants engaged in the interstate trafficking of counterfeit integrated circuits, in a variety of ways. First, they acquired counterfeit integrated circuits from supply sources in China, imported them into the United States, and sold them to the public via the Internet. Second, they obtained trademark-branded integrated circuits then scraped, sanded, or ground off the original markings, and caused the devices to be remarked with another trademark and other markings thereby fraudulently indicating, among other things, that the devices were of a certain brand, newer, higher quality or were of a certain grade, including military grade. Third, the defendants “harvested” dies from integrated circuits and caused them to be repackaged to appear new, including adding trademarks and other markings indicating that the devices were of a certain brand, higher quality or were of a certain grade.

The defendants are alleged to have operated the conspiracy through a number of California companies: MVP Micro, Inc., BeBe Starr, Consulting, Inc., Red Hat Distributors, Inc. (also known as “RH Distributors”, and “Red Hot Distributors”), Force-One Electronics, Inc., Labra, Inc., subsequently renamed Labra Electronics, Inc., then Becker Components, Inc., and Pentagon Components, Inc. The defendants also operated websites related to those companies, including: www.mvpmicro.com, www.labrainc.com, www.rhdistributors.com, and www.pentagoncomponents.com.

As alleged in the Indictment, on March 3, 2009, June 26, 2009, and July 14, 2009, the defendants entered into contracts with the U.S. Navy and other government agencies for the sales of integrated circuits. Subsequently, the defendants shipped integrated circuits bearing false, counterfeit trademarks to the U.S. Navy, in Washington, D.C. The Indictment also alleges that on 22 separate occasions, the defendants imported into the United States from China and Hong Kong, approximately 13,073 integrated circuits bearing counterfeit trade marks, including military-grade markings, valued at approximately \$140,835.50. Those counterfeit integrated circuits bore the purported trademarks of a number of legitimate companies, including: Fujitsu, Analog Devices, Inc., Atmel Corporation, ST Microelectronics, Inc., Altera Corporation, Intel Corporation, Elantec Semiconductor, Inc., TDK Corporation, National Semiconductor, Inc., and VIA Technologies, Inc.

“Those who engage in product counterfeiting, particularly of items for use by our armed forces, create a risk to both public safety and national security, and a concomitant harm to the economy and those rights holders whose hard work and ingenuity should be rewarded,” said Acting U.S. Attorney Phillips. “This case shows that we will aggressively prosecute those who engage in product counterfeiting and who expose our armed forces and the public to harm.”

“This investigation demonstrates the potential risk that the illicit importation and sale of counterfeit products poses to our supply chain and to our public health and safety,” said James A. Dinkins, Special Agent in Charge of ICE’s Office of Investigations in Washington, D.C. “ICE will continue to aggressively pursue cases such as this working in close coordination with our law enforcement partners.”

“Procurement fraud--in this case, product substitution involving counterfeit microchips--threatens military readiness and presents unacceptable security and safety risks to our Sailors and Marines,” said Sandy Macisaac, Special Agent in Charge, NCIS, Washington Field Office, Washington, D.C. “NCIS will continue to aggressively investigate criminal cases affecting the operational capabilities of our Naval forces to prevent defective materiel from entering the Department of the Navy's supply system. Today's outcome demonstrates yet again that NCIS, in partnership with its fellow federal law enforcement agencies, remains vigilant and determined to mitigate such threats.”

In announcing the guilty plea today, Acting U.S. Attorney Phillips, Special Agent in Charge Macisaac, Special Agent in Charge Dinkins, and Special Agent in Charge Martin commended the work of ICE Special Agent Misty Price, NCIS Assistant Program and Operations Director for Economic Crimes, Marie R. Acevedo, NCIS Special Agents Erin Michaels and Stewart Thompson (Ret.), NCIS Forensic Auditor Stephen Green, IRS Special Agent Troy Burrus, and the staff of the U.S. Attorney’s Office, including Paralegals Carolyn Cody and Diane Hayes, and Assistant U.S. Attorney Sherri L. Schornstein, who is prosecuting the case. They also acknowledged the Semiconductor Industry Association, STMicroelectronics, Inc., Texas Instruments, Inc., Analog Devices, Inc., and National Semiconductor, Inc. for their cooperation and assistance.

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